

The complaint

Mr and Mrs B have complained about the way Admiral Insurance (Gibraltar) Limited handled a claim for damage to their car under Mrs B's car insurance policy. Mr B is a named driver on the policy.

What happened

Mr and Mrs B's car was damaged when it was driven over a ladder, which had fallen off another vehicle. Mrs B contacted Admiral. Its recovery agent, who I'll refer to as R, put the car on the back of a recovery truck and took it to a garage Mrs B had chosen. Mrs B has said she intended to pay for the repairs needed herself. Mrs B's repairer then contacted her and told her they weren't willing to carry out the repair because R's driver had driven her car with no oil in it. They were concerned this had caused further damage.

Mrs B told Admiral what had happened. They arranged for the car to go to one of their approved repairers for an estimate. The repairer repaired the sump on the car, but it wouldn't start. So, they sent the car to a dealer approved garage. This garage said the turbo needed to be replaced and it was possible that a replacement engine would also be needed. They estimated the cost of doing both would be £13,685. As a result Admiral's engineer wrote the car off and Admiral made a total loss settlement to Mrs B, which involved clearing the finance on the car and paying the balance to her. This happened at the end of September 2022.

Mrs B wasn't happy with what had happened and complained to Admiral on a number of points. It issued a final response letter on 9 February 2023. It upheld the majority of Mrs B's complaint points, which included it accepting R had driven Mr and Mrs B's car when it wasn't appropriate, causing more damage. Admiral paid Mrs B £250 in compensation for distress and inconvenience. It also paid her £125 towards additional costs she had incurred. And £25 for taking too long to respond to her complaint. It didn't uphold Mrs B's complaint point about the impact on her policy premium of the additional claim costs.

Mr and Mrs B weren't happy with Admiral's response and asked us to consider their complaint. When doing so they pointed out that the cost of financing the replacement car meant they were paying a lot more on finance. They also said the premium had gone up and that they thought this was due to the claim. Mr and Mrs B also mentioned some issues they had with the hire car Admiral provided. But we told them that we couldn't consider these as Admiral had issued a previous final response on them and they hadn't asked us to consider the issues within six months of this.

One of our investigators considered Mr and Mrs B's complaint. She didn't think it was appropriate for Mr and Mrs B to be compensated for the additional cost to them of financing the replacement vehicle, as they'd chosen to buy a more expensive one. She also said she was satisfied the additional cost of the claim hadn't impacted Mrs B's premium. And she felt the £250 compensation Admiral had paid for distress and inconvenience was appropriate.

I issued a provisional decision on 9 May 2024 in which I set out what I'd provisionally

decided and why as follows:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I should say first of all that I think the impact of R's poor decision to drive Mr and Mrs B's car, which caused further damage, has been very significant for Mr and Mrs B in terms of distress and inconvenience.

However, I agree with our investigator that it isn't appropriate for Mr and Mrs B to be compensated for the additional cost of financing their new vehicle. This is because they purchased one at a cost of just over £26,000, when the vehicle that was damaged would only have cost just over £20,000 to replace. Also, they didn't use the surplus amount they received from Admiral after it cleared the finance on the damaged car as a deposit; and instead paid a deposit of only £99. Both these things would have had a significant impact on the monthly finance amount, the APR and the overall cost. And this makes it impossible for me to know exactly what the impact on Mr and Mrs B was in terms of cost as a result of their car being damaged by R's operative. And it means it is not appropriate for me to award anything for this. But I do of course understand the difficult position Mr and Mrs B were in because of the failings of Admiral and its agent. And this needs to be reflected in the compensation they receive for distress and inconvenience, which I will come on to later in this decision.

I've also checked the information on the premiums provided by Admiral and I am satisfied that the fact the claim amount is higher because Mr and Mrs B's car was written off has not impacted Mrs B's premium. And, as our investigator explained, because Mrs B involved Admiral at the outset she was always going to have an amount against a claim on the policy for the incident. And I am satisfied with the evidence Admiral has provided, which I can't share with Mr and Mrs B due to the fact it is commercially sensitive, that Mrs B's premium would have been the same irrespective of the amount recorded against the claim. I have also noted Mrs B's no claim discount has not been impacted by the claim.

I think it is clear from the evidence that he drove Mr and Mrs B's car when he shouldn't have done and this led to it being badly damaged and ultimately written off. And I can appreciate why Admiral's engineer decided to write the car off. I say this because a dealer approved garage had said it could cost around £13,500 to repair the car. But I don't think the engineer's and Admiral's approach was right in the circumstances. This is because it was Admiral's agents fault the car might need a new engine and it seemed Mrs B didn't want the car written off. What I think Admiral should have done is explained the situation to Mrs B and given her the choice of having her car written off or repaired. The repair cost – even with a new engine - was under 70% of the value of the car, which is borderline for a write off. And it may have been a lot less than this if a new engine wasn't needed. Instead of offering Mrs B the option to decide, the engineer wrote the car off and Admiral went with this option without, it seems any real thought for Mrs B's wishes.

However, I've checked the guides that we use for valuing cars and I am satisfied that, having decided to write the car off, Admiral did base its settlement on the correct valuation, i.e. the replacement cost of Mrs B's car. This means that whilst it was very distressing and upsetting for Mr and Mrs B to have their car written off, they did at least get the right amount for the car once this had happened.

However, as I've already mentioned this whole episode had a very significant impact on Mr and Mrs B in terms of distress and inconvenience. I think it would have been traumatic in the first instance to find out that their car had been badly damaged because of the negligence of Admiral's agent. And they not only had to face this, but they also had to face some delays

and some communication issues with Admiral. This included not being provided with evidence to show their car was a write off. And – as I’ve explained above – they were not given the option to have the car repaired, which would have caused even more distress and inconvenience. They then had the distress and inconvenience of having to find a replacement car and deal with all the finance issues. In addition to all this, losing their own car for so long clearly caused both Mr and Mrs B a great deal of inconvenience and impacted on their work situation. All of this was avoidable and would not have happened but for R’s negligence.

As things stand Admiral has paid Mr and Mrs B £250 in compensation for distress and inconvenience. But I do not consider this is anywhere enough to reflect the level of distress and inconvenience they experienced. And I think that Admiral needs to pay a further £750 in compensation, i.e. £1,000 in total, as this is in line with what I think is fair and reasonable bearing in mind the trouble Mr and Mrs B have had.

My provisional decision

For the reasons set out above, I’ve provisionally decided to uphold Mr and Mrs B’s complaint and make Admiral Insurance (Gibraltar) Limited do the following:

- *Pay Mr and Mrs B a further £750 in compensation for distress and inconvenience.*

I gave both parties until 23 May 2024 to provide further comments and evidence in response to my provisional decision.

Mrs B responded to explain that at the time she took out the finance for the vehicle she and Mr B bought to replace the vehicle insured under Mrs B’s policy they had not received the settlement amount from Admiral and it had not cleared the finance on their existing vehicle. She subsequently explained to me by telephone that this meant they had limited options on finance, as they had no money for a deposit and the outstanding finance meant they were only being offered finance at a much higher interest rate. So, she got the best finance deal she could and this was at 6.79%, whereas the finance on their existing vehicle was at 3.72%. Mrs B also explained that they had to source a replacement vehicle before they got the settlement amount from Admiral because they had been told they needed to return the courtesy car.

I then emailed Admiral to explain that, in view of what Mrs B had told me, I thought she and Mr B should receive £2,700 to compensate them for the likely additional cost of finance as a result of having to replace their vehicle when they did, which only came about because of the failings on the part of Admiral and its agent. And I set out in my email exactly how I had calculated this amount.

Admiral has now responded to say that, while it appreciates Mr and Mrs B’s vehicle should not have ended up as a total loss, they didn’t have to purchase a replacement vehicle under the finance terms they did. So, Admiral does not think it should have to pay a further £2,700 in compensation for a decision Mr and Mrs B made which was out of its control.

What I’ve decided – and why

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

I’ve noted what Admiral has said in response to my provisional decision and my suggested additional compensation award. However, I am satisfied Mr and Mrs B were left with no option but to replace their vehicle using finance at a higher rate of interest. And, while they

paid more for the replacement vehicle than it should have cost to replace their existing vehicle, they still had to borrow at a higher interest rate. And this was because at this point Admiral hadn't finally settled their claim. And I am also satisfied that the only reason they had to finance a new vehicle was that Admiral and its agent failed to deal with their claim for the damage to their existing vehicle properly. Mr and Mrs B are now committed to the finance for their new vehicle and the interest on it, even if they do use the settlement amount they got from Admiral to reduce the overall amount due under the finance agreement. In view of this, I consider it is fair and reasonable for Admiral to pay Mr and Mrs B a further £2,700 in compensation for the financial loss they have effectively incurred on finance as result of the failings of Admiral and its agent.

Putting things right

For the reasons set out in provisional decision, in my email dated 3 June 2024 to Admiral and above, I've decided to uphold Mr and Mrs B's complaint and make Admiral do the following:

- Pay Mr and Mrs B £2,700 in compensation for the financial loss they have effectively incurred on finance as a result of Admiral's failings.
- Pay Mr and Mrs B a further £750 in compensation for distress and inconvenience.

Admiral must pay the compensation amounts due within 28 days of the date on which we tell it Mr and Mrs B accept my final decision. If it pays later than this, it must also pay interest on the compensation amounts from the deadline date for settlement to the date of payment at 8% a year simple.

My final decision

I uphold Mr and Mrs B's complaint and order Admiral Insurance (Gibraltar) Limited to do what I've set out above in the 'Putting things right' section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B and Mr B to accept or reject my decision before 3 July 2024.

Robert Short
Ombudsman